Mount St. Vincent Home, Inc.

Financial Statements

Year Ended December 31, 2012

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

Board of Directors
Mount St. Vincent Home, Inc.:

We have audited the accompanying financial statements of Mount Saint Vincent Home, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Saint Vincent Home, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As discussed in Note 12 to the financial statements, the Home's unrestricted net assets and property and equipment as of December 31, 2011, have been adjusted to correct a prior year error related to the value of property and equipment. Our opinion is not modified with respect to this matter.

KUNDINGER, CORDER & ENGLE, P.C.

April 16, 2013, except for Note 12, as to which the date is August 19, 2013

Mount St. Vincent Home, Inc.
Statement of Financial Position
December 31, 2012

Assets:	
Cash and cash equivalents	$ 656,065
Investments (notes 2 and 3)	4,252,379
Accounts receivable, less allowance for doubtful accounts of $2,898	519,329
Contributions receivable (note 7)	32,555
Prepaid expenses and deposits	50,190
Restricted investments (notes 2, 3, 4 and 9)	5,476,130
Property and equipment:	
Land and improvements	15,185,119
Buildings and improvements	9,800,934
Furnishings and equipment	438,917
Vehicles	234,023
	25,658,993
Less accumulated depreciation	5,484,673
Net property and equipment	20,174,320
Total assets	$ 31,160,968
Liabilities and Net Assets:	
Liabilities:	
Accounts payable	$ 69,665
Accrued liabilities	343,858
Total liabilities	413,523
Net assets:	
Unrestricted–undesignated	5,064,440
Unrestricted–invested in property and equipment	20,174,320
Unrestricted–board designated (note 9)	5,204,785
Total unrestricted net assets	30,443,545
Temporarily restricted (note 8)	215,478
Permanently restricted (note 9)	88,422
Total net assets	30,747,445
Commitments and contingency (notes 6, 10 and 11)	
Total liabilities and net assets	$ 31,160,968

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statement of Activities
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Residential treatment	$ 2,108,085	–	–	2,108,085
School and Early Learning Centers	1,525,138	–	–	1,525,138
Day treatment	412,001	–	–	412,001
Aspen House	139,487	–	–	139,487
Other revenue	24,290	–	–	24,290
Total operating revenue	4,209,001	–	–	4,209,001
Expenses:				
Program services:				
Residential treatment	3,088,346	–	–	3,088,346
Day treatment and outpatient	477,943	–	–	477,943
Education	2,117,402	–	–	2,117,402
Total program services	5,683,691	–	–	5,683,691
Supporting services:				
Management and general	729,421	–	–	729,421
Fund raising	373,214	–	–	373,214
Total supporting services	1,102,635	–	–	1,102,635
Total operating expenses	6,786,326	–	–	6,786,326
Total operating net loss	(2,577,325)	–	–	(2,577,325)
Non-operating revenue and expenses:				
Contributions	1,384,288	92,395	–	1,476,683
In-kind contributions (note 1(e))	233,596	–	–	233,596
Mile High United Way	143,411	–	–	143,411
Special events revenue	184,518	–	–	184,518
Special events expense	(37,354)	–	–	(37,354)
Investment income (note 2)	940,855	7,064	–	947,919
Gain on disposal of assets	3,479	–	–	3,479
Net assets released from restrictions (note 8)	119,907	(119,907)	–	–
Total non-operating revenue and expenses	2,972,700	(20,448)	–	2,952,252
Change in net assets	395,375	(20,448)	–	374,927
Net assets at beginning of year, as restated (note 12)	30,048,170	235,926	88,422	30,372,518
Net assets at end of year	$ 30,443,545	215,478	88,422	30,747,445

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statement of Functional Expenses
Year Ended December 31, 2012

	Program services				Supporting services			
	Residential treatment	Day treatment and outpatient	Education	Total program services	Management and general	Fund raising	Total supporting services	Total expenses
Salaries	$ 2,013,391	311,583	1,400,560	3,725,534	378,419	243,646	622,065	4,347,599
Payroll taxes	148,050	22,286	102,283	272,619	20,476	18,277	38,753	311,372
Benefits	273,914	45,707	201,015	520,636	52,233	38,374	90,607	611,243
Insurance	24,772	3,894	14,189	42,855	2,944	1,461	4,405	47,260
Office supplies	39,170	10,771	14,462	64,403	43,694	26,620	70,314	134,717
Occupancy	162,526	8,193	96,714	267,433	66,810	5,764	72,574	340,007
Transportation	8,993	797	5,750	15,540	7,419	753	8,172	23,712
Dues and subscriptions	6,544	2,120	1,778	10,442	7,435	336	7,771	18,213
Professional fees	52,431	23,749	56,751	132,931	64,199	14,034	78,233	211,164
Direct services	46,668	12,162	26,511	85,341	–	–	–	85,341
Food and household supplies	72,917	18,144	20,233	111,294	6,109	3,145	9,254	120,548
Special events expenses	–	–	–	–	–	37,354	37,354	37,354
Investment fees	–	–	–	–	32,160	–	32,160	32,160
Public relations	2,365	2,365	7,094	11,824	913	2,893	3,806	15,630
Depreciation	162,512	11,426	148,066	322,004	57,258	6,186	63,444	385,448
In-kind materials	66,241	1,860	19,061	87,162	11,436	1,374	12,810	99,972
Other	7,852	2,886	2,935	13,673	10,076	10,351	20,427	34,100
Total functional expenses	3,088,346	477,943	2,117,402	5,683,691	761,581	410,568	1,172,149	6,855,840
Less expenses included with revenue in the statement of activities	–	–	–	–	32,160	37,354	69,514	69,514
Total expenses	$ 3,088,346	477,943	2,117,402	5,683,691	729,421	373,214	1,102,635	6,786,326

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statement of Cash Flows
Year Ended December 31, 2012

Cash flows from operating activities:		
Change in net assets	$	374,927
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		385,448
Net realized and unrealized gains on investments		(710,946)
In-kind contributions of property improvements		(133,624)
Decrease (increase) in operating assets:		
Accounts receivable		(33,734)
Contributions receivable		6,732
Prepaid expenses and deposits		(6,508)
Increase in operating liabilities:		
Accounts payable		14,991
Accrued liabilities		19,574
Net cash used in operating activities		(83,140)
Cash flows from investing activities:		
Net proceeds from sales of investments		537,220
Payments for purchases of property and equipment		(24,907)
Net cash provided by investing activities		512,313
Cash flows from financing activities:		
Collections of capital contributions		(139,413)
Net cash used in financing activities		(139,413)
Net increase in cash and cash equivalents		289,760
Cash and cash equivalents at beginning of year		366,305
Cash and cash equivalents at end of year	$	656,065
Supplemental cash flow information:		
Non-cash investing activity - donated property improvements	$	133,624

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.

Notes to Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies

(a) General

Mount St. Vincent Home, Inc. (the "Home") has been in operation since 1883. It was incorporated on December 16, 1994 as an operating entity of the Sisters of Charity of Leavenworth, Inc. ("SCL) and does not own title to land and fixed assets, but rather has the beneficial use thereof. The Home, which is located in Denver, provides residential and day treatment facilities for school-aged children who are experiencing social, emotional or academic difficulties, and also provides services to the families of such children. The Home's activities are supported primarily through contributions and program service fees received from various state and local government agencies.

Effective March 1, 2011, the Home became an operating entity of Sisters of Charity of Leavenworth Health System, Inc. ("SCL Health System") pursuant to an agreement between SCL and SCL Health System.

The Home's financial statements include the accounts of the Guild of Mount St. Vincent (the Guild). The purpose of the Guild is to support and financially assist programs that serve the children at the Home.

(b) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Home reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions met in the same period in which the related contributions are received are recorded as unrestricted support.

(1) Summary of Significant Accounting Policies, Continued

(e) Contributed Property and Services

Contributed property and equipment are recorded as unrestricted support at its estimated fair value at date of donation. Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. In-kind contributions for 2012 consisted of the following:

Donated energy efficiency improvements	$ 133,624
Donated supplies and other materials	99,972
	$ 233,596

A number of volunteers have donated time in connection with the Home's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria for recognition.

(f) Recognition of Income

Program services revenue is deemed to be earned and is reported as revenue when the Home has incurred expenditures or performed services in compliance with the provisions of the respective service agreements. Cash received for contracts in excess of allowable expenses incurred is recorded as unearned revenue, and allowable expenses incurred on contracts in excess of cash received are recorded as a receivable.

(g) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Home considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(h) Investments

The Home reports investments at fair value. Fair value is determined as more fully described under the fair value measurements policy below. The Home's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in net assets in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

(i) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and on analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

(1) Summary of Significant Accounting Policies, Continued

(j) Contributions Receivable

Unconditional contributions receivable are recognized as revenue and initially recorded at fair value when verifiably committed. Pledges expected to be collected beyond one year are recorded at the present value of expected future cash flows using a risk adjusted discount rate. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Uncollectible contributions receivable are not expected to be significant.

(k) Property and Equipment

Property and equipment is recorded at cost, or if donated, at fair value at date of donation. The Home capitalizes all expenditures for and donations of property and equipment in excess of $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

(l) Concentrations of Credit Risk

Financial instruments that potentially subject the Home to concentrations of credit risk consist of cash and cash equivalents, investments, and trade receivables. The Home places its cash and cash equivalents with creditworthy, high quality, financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity. Investment managers engaged by the SCL Health System make investments and management of the Home monitors the investments. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Home. Credit risk with respect to trade receivables is generally diversified due to the large number of entities and credit-worthiness of the organizations that comprise the Home's customer base.

The Home is supported primarily through program service fees received from various state and local government agencies and contributions. If a significant reduction in the future level of this support occurs, it may have an effect on the Home's programs and activities.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(1) Summary of Significant Accounting Policies, Continued

(n) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(o) Income Tax Status

The Home is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from certain activities not directly related to the Home's tax-exempt purpose is subject to taxation as unrelated business income. During the year ended December 31, 2012, the Home did not incur any unrelated business income tax.

Management is required to evaluate tax positions taken by the Home and to recognize a tax liability if the Home has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. The Home believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Home is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Home is no longer subject to income tax examinations for years prior to December 31, 2009.

(p) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Home's financial statements were available to be issued on April 16, 2013 and this is the date through which subsequent events were evaluated. The Home did not identify any subsequent events requiring disclosure.

(2) Investments

The market value of the Home's investments at December 31, 2012 consisted of the following:

Pooled investments held and managed by SCL Health Systems	$ 9,726,525
Stock held by U.S. Bank	1,984
	9,728,509
Less restricted investments (see note 4)	(5,476,130)
	$ 4,252,379

(2) Investments, Continued

The Home's investment return consisted of the following during 2012:

Net realized and unrealized gains	$ 710,946
Investment income	269,133
Investment fees	(32,160)
	$ 947,919

(3) Fair Value Measurements

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, and prepaid expenses approximate fair value because of the immediate or short term maturities of these financial instruments. The fair value of contributions receivable is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

The Home reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Home to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents. For the Home, Level 1 investments consist of stock held by U.S. Bank.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. For the Home, Level 2 investments consist of its ownership interest in the pooled investment fund held and managed by the SCL Health System.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. The Home has no investments in this category.

(3) Fair Value Measurements, Continued

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Home's financial statements.

The following table summarizes the fair value hierarchy levels used by the Home as of December 31, 2012:

	Fair Value	Level 1	Level 2	Level 3
Pooled investments	$ 9,726,525	–	9,726,525	–
Stock held by U.S. Bank	1,984	1,984	–	–
Total	$ 9,728,509	1,984	9,726,525	–

All assets have been valued using a market approach. The Home pools its investments in a fund that is held and managed by the SCL Health System. Ownership interests are assigned to the pool participants based on the market value of the cash and securities placed in the pool by each participant. Current market value is used to determine the number of units allocated to additional assets placed in the pool and to value withdrawals from the pool. Investment income and realized and unrealized gains and losses are allocated equitably based on the number of units assigned to each participant. The underlying investments within the pooled fund include traditional equity and fixed-income investments and alternative investments. The Home can request redemptions at anytime. There were no changes in valuation technique in the current year.

(4) Restricted Investments

The Home's Board of Director's has designated certain monies to be retained and invested (see note 2). Investments related to board designated funds as well as investments to fund temporarily and permanently restricted net assets are shown as restricted investments. Restricted investments at December 31, 2012 consisted of the following:

Board designated fund (see note 9)	$ 5,204,785
Temporarily restricted funds (see note 8)	182,923
Permanently restricted funds (see note 9)	88,422
	$ 5,476,130

(5) Related Party Transactions

The Home has an agreement with the Sisters of Charity of Leavenworth (SCL) for services provided by the sisters. For the year ended December 31, 2012, the Home paid sisters' salary expense of $89,075, health insurance of $7,000, and pension expense of $2,000. SCL reimbursed the Home $19,200 for the sisters' rent for the year ended December 31, 2012. During 2012, SCL made a $50,000 gift to the Home.

During 2012, SCL Health System made a $139,413 gift to the Home to cover the cost of certain fixed asset purchases.

(6) Retirement Plan

Full-time employees become eligible for the Home's 403(b) retirement plan after one year of service. Employee contributions are fully vested at the time of contribution and employer contributions vest over a period of three years. The Home matches 100% of all eligible employee contributions up to 3% of salary. Effective April 1, 2011, the Home's Plan merged with the SCL Health System's Retirement Savings Plan (the Plan). Employees beginning participation after April 1, 2011 become 50% vested after 3 years; 75% vested after 4 years; and 100% vested after 5 years. Pension expense for the Plan was $50,896 for 2012.

(7) Contributions Receivable

Contributions receivable at December 31, 2012 totaled $32,555 and consisted of $20,967 in pledges due within one year and $11,588 in pledges due from one to three years. Contributions receivable that are due in more than one year have not been discounted because the effect is immaterial. All contributions receivable are considered to be collectible.

(8) Temporarily Restricted Net Assets

The Home's temporarily restricted net assets at December 31, 2012 consisted of cash contributions collected but not yet expended (see note 4) totaling $182,923 and contributions receivable totaling $32,555.

During 2012 net assets totaling $119,907 were released from restrictions by incurring expenses satisfying the related restricted purpose.

At December 31, 2012 temporarily restricted net assets were available for the following purposes:

Scholarships	$ 111,250
Future operations	48,805
Sisters' Funds	33,834
Tactile and animal assisted therapies	10,929
Chapel upkeep	5,923
Other	4,737
	$ 215,478

(9) Endowments

The Home has one donor-restricted endowment fund and two board designated endowment funds. The donor-restricted endowment was established during fiscal 2000 when the Home received $80,000 from two donors to establish the Timothy Healy Tynan Fund (the Tynan Fund) with the restriction that the principal remain intact and the earnings be used for the maintenance and upkeep of the Home's chapel. One of the Home's board designated endowments consist of $1,000,000 set aside from unrestricted funds for a Father Woodrich Memorial Fund (Fr. Woody Fund) to be invested and used for certain future board determined purposes. The other board designated endowment consists of $4,000,000, of which the earnings thereon are designated for specific program purposes. Net assets associated with these endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Home's board has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Home to appropriate for expenditure or accumulate so much of an endowment fund as the Home determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Home classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Home considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Home and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Home
(7) The investment policies of the Home.

The Home's endowment net assets consisted of the following as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ –	5,923	88,422	94,345
Board designated endowment fund	5,204,785	–	–	5,204,785
Total funds	$ 5,204,785	5,293	88,422	5,299,130

(9) Endowments, Continued

Following are the changes in the endowment net assets for the year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at December 31, 2011	$ 5,203,452	–	88,422	5,291,874
Investment return:				
Investment income, net	–	1,934	–	1,934
Net appreciation (realized and unrealized)	1,333	5,130	–	6,463
Total investment return	1,333	7,064	–	8,397
Appropriated for expenditure	–	(1,141)	–	(1,141)
Endowment net assets at December 31, 2012	$ 5,204,785	5,923	88,422	5,299,130

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original gift. There were no deficiencies of this nature reported in unrestricted net assets as of December 31, 2012.

Return Objectives and Risk Parameters
The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for the Home while maintaining purchasing power and growing endowment assets. Under this policy, as approved by the finance committee of the board, the endowment assets are invested in a manner that is intended to produce, on a five-year moving average, a minimum annualized total return of three percent over the rate of inflation as measured by the Consumer Price Index or eight percent, whichever is greater. Actual returns in any given year will vary.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Home relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its long-term return objectives within prudent risk constraints, the Home allocates its ownership units in the investment pool among diversified asset classes and investment managers.

(9) Endowments, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Home has a policy of appropriating for distribution each quarter 1.25% of its endowment funds' fair value at that time. In establishing this policy, the Home considers the long-term expected return on its endowment. Accordingly, over the long term, the Home expects the current spending policy to allow its endowment to grow at an average of 3 to 5% annually. This is consistent with the Home's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return. If a distribution would drop the corpus of the endowment below the original amounts donated or designated, no distribution will be made until investment earnings have returned the corpus above the original amount.

(10) Leases

The Home entered into non-cancelable operating leases for office equipment that expire through October 2015. Total rent expense was $9,677 for 2012. Future minimum lease payments under these non-cancelable operating leases for the year ending December 31 are as follows:

2013	$ 3,452
2014	1,512
2015	1,260
	$ 6,224

(11) Conditional Asset Retirement Obligation

The Home's main building was constructed in 1903 and significant additions and renovation have occurred to the building since then. Materials containing asbestos are found throughout the building. There is existing federal legislation that addresses when the removal of asbestos is necessary. At such time that the building undergoes major renovation, it is probable that asbestos may be uncovered and will have to be removed.

At December 31, 2012, the Home's management does not have sufficient information to estimate the fair value of the asset retirement obligation for any potential required removal of asbestos since there are no plans or expectations of plans for the main building to undergo any major renovation. The building is expected to be maintained by repairs and maintenance activities that would not involve the removal of the asbestos. Also, the need for major renovations caused by technology changes, operational changes, or other factors has not been identified. Accordingly, at December 31, 2012, a liability has not been recognized for the potential need to remove asbestos because the fair value cannot be reasonably estimated.

(12) Restatement

Property and equipment and unrestricted net assets as reported in the Home's financial statements as of December 31, 2011 have been restated. The restatement was necessary to record the Home's property and equipment at fair value as a result of the acquisition of the Home by SCL Health System from SCL on March 1, 2011. The effect of the restatement is an increase of $14,441,892 in property and equipment and unrestricted net assets in the December 31, 2011 financial statements.